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Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 L-03 SP-03 AID-20 NSC-07

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 H-03 INT-08 DRC-01 /158 W
---------- 117200
R 150540Z JUL 74
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 3644
INFO AMEMBASSY KINGSTON

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E.O. 11652: N/A
TAGS: EMIN, EIND, AS
SUBJ: ASSESSMENT OF INVESTMENT, TAXATION, AND EXPROPRIATION
TRENDS IN THE ALUMINUM/BAUXITE INDUSTRY

REF: (A) STATE 145450; (B) CANBERRA 1499; (C) CANB KOS&RBR#

1. PLANS FOR EXPANSION AS FOLLOWS ARE KNOWN, BY
VIRTURE OF RECENT PRESS COMMENT, TO BE UNDER ACTIVE
CONSIDERATION.

A. ALCOA OF AUSTRALIA PLANS EXPANSION ITS PINJARRA
(WESTERN AUSTRALIA) PLANT TO TWO MILLION TONS OF ALUMINA
PER YEAR BY 1976. THIS WILL MAKE ALCOA'S TOTAL COMBINED
CAPACITY AT PINJARRA AND KWINANA, W.A. 3.4 MILLION TONS
PER YEAR, COMPARED TO APPROXIMATELY 1.75 MILLION TONS AT PRESENT.
ANNOUNCED PURPOSE OF EXPANSION IS TO MEET
REQUIREMENTS OF LONG TERM CONTRACTS WITH BUYERS IN
N AND S AMERICA AND IN JAPAN.

B. REYNOLDS, AS MEMBER OF "ALWEST" CONSORTIUM, IS
PLANNING MINORITY PARTICIPATION IN $A400 MILLION
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($US 600 MILLION) REFINERY NEAR COLLIE W.A.

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INITIAL CAPACITY OF 350,000 TONS WILL EVENTUALLY BE INCREASED TO
2 MILLION TONS ANNUALLY. PROJECT IS HELD UP AT PRESENT AS RESULT
OF DISPUTE ON OVERSEAS FINANCING AND ENVIRONMENTAL
IMPACT BETWEEN PROJECT ORGANIZERS AND GOVT. OF WESTERN
AUSTRALIA ON ONE HAND AND GOA ON OTHER.

C. "PACMINEX" (HANCOCK AND WRIGHT, UNION MINIERE, AND CSR)
AT ONE TIME PLANNED $A200 MILLION REFINERY AT MUCHEA, W.A. TO
BE IN CONSTRUCTION STAGE IN 1974. PLANS REPORTEDLY SUSPENDED HOWEVER
PENDING OUTCOME PROPOSED ESTABLISHMENT GOA PETROLEUM AND
MINIERAL AUSTHORITY.

D. COMALCO AND QUEENSLAND GOVERNMENT HAVE ANNOUNCED
PLANS FOR $A120 MILLION ($US180 MILLION) ALUMINUM
SMELTER AT GLADSTONE, IN CENTRAL QUEENSLAND. WITH
CAPACITY 100,000 TONS ALUMINUM BY 1980.

2. ATTITUDE OF GOA. GOA OFFICIALLY FAVORS MINERALS
DEVELOPMENT AND EXPANSION, BUT ONLY SUBJECT TO FOLLOWING
POLICY OBJECTIVES: MAXIMUM AUSTRALIAN EQUITY, MAXIMUM
LOCAL PROCESSING, FAIR EXPORT PRICES, STRINGENT
ENVIRONMENTAL PROTECTION, AND PAYMENT OF 25 PCT.
INTEREST-FREE DEPOSIT ON LONG TERM FOREIGN BORROWINGS.
PRESENT GOVERNMENT IN GENERAL HAS ADOPTED POSITION OF
MAKING HASTE VERY
SLOWLY ON NEW PROPOSALS TO EXPAND
RATE AT WHICH AUSTRALIAN SUB-SOIL RESOURCES EXPLOITED,
PARTICULARLY FOR EXPORT. THIS EXEMPLIFIED BY ALWEST
CASE WHERE, DESPITE INTENSE POLITICAL PRESSURE BY
GOVT OF W.A. IT REFUSED TO WAIVE INTEREST-FREE DEPOSIT
REQUIREMENT ON OVERSEAS BORROWINGS TO FACILITATE
PROJECT AND MADE ITS APPROVAL OF PROJECT CONTINGENT
ON ESTABLISHMENT RIGOROUS ENVIRONEMNTAL STANDARDS.

3. REACTION TO JAMACIAN MOVE. WE HAVE NOT INQUIRED
OF GOA IN THIS CONNECTION. THERE WAS SOME PRESS
COMMENT TO EFFECT THAT, AS RESULT INCREASED COSTS IN
JAMAICA, PROSPECTS FOR AUSTRALIAN BAUXITE/ALUMINA
EXPORTS MIGHT BE IMPROVED. HOWEVER CONTRARY VIEW
HAS RECENTLY BEEN EXPRESSED, WITHOUT REGARD TO
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JAMAICAN ACTION, THAT AUSTRALIAN COMPETITIVENESS
WORSENING AS RESULT NEW BAUXITE FINDS NEARER MAJOR
MARKETS AND CHANGES IN $A PARITY TO DISADVANTAGE
AUSTRALIANEXPORTERS. THIS VIEW EXPRESSED JULY 11 BY
SENIOR COMALCO OFFICIAL SPEAKING AT MINING CONFERENCE
IN BRISBANE. ROYALTIES COLLECTED BY STATE OR
TERRITORIAL GOVERNMENTS INVOLVED AND ARE DETERMINED
AT TIME PROJECTS INITIALLY APPROVED. NO INDICATION

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THAT THESE GOVERNMENTS OR GOA, WHICH TAXES CORPORATE INCOME, HAVE ANY INTENTION OF INCREASING THEIR TAKE BECAUSE OF JAMAICAN ACTIONS. LABOR GOA HAS REPEATEDLY RULED OUT EXPROPRIATION. GOA IS PLANNING TO OPEN ITS FIRST CARIBBEAN AREA DIPLOMATIC MISSION IN KINGSTON BEFORE THE END OF 1974. THIS POST WILL PROVIDE LIAISON WITH IBA AS WELL AS COUNTRIES IN THE AREA.

4. WE PLAN TO MAKE INFORMAL SOUNDINGS AT COMMODITY POLICY DIVISION OF DEPARTMENT OF OVERSEAS GEGSG#AS TO REACTION, IF ANY, TO JAMAICAN MOVE. WE WILL REPORT BY FOLLOW-UP MESSAGE BEFORE JULY 29.
GREEN

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